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SCPSC Docket No. 98-001-E

S. C. PUBLIC SERVICE COMMISSION
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FEB 25 1998
UTILITIES DEPARTMENT

DIRECT TESTIMONY
OF
RONALD R. PENNY

S. C. PUBLIC SERVICE COMMISSION
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1 Q. Please state your name, address, and position with Carolina Power & Light
2 Company.

3 A. My name is Ronald R. Penny and my business address is 411 Fayetteville Street
4 Mall, Raleigh, North Carolina. My position is Manager - Pricing and Rate
5 Applications, Treasury Department.

6 Q. Please describe your educational background and professional experience.

7 A. I obtained a Bachelor of Science Degree in Electrical Engineering from North
8 Carolina State University and then joined the Company's Rates and Service
9 Practices Department as a Research Analyst in 1975. Since that time, I have
10 held various positions in the Rates and Engineering departments before moving
11 to the Treasury Department. I was appointed to my current position in 1995.
12 While working in the Rates and Energy Services Department, I was involved in
13 numerous retail rate and wholesale proceedings. I have sponsored testimony in
14 at least five such cases before the Federal Energy Regulatory Commission.

15 Q. Have you previously presented testimony before this Commission?

16 A. Yes, I have. I testified in the Company's past two fuel cases in this jurisdiction.

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1 I have also sponsored fuel testimony before the North Carolina Utilities
2 Commission.

3 Q. What is the purpose of your testimony?

4 A. The purpose of my testimony is to review the Company's fuel cost and revenue
5 collection for the period January 1997 through December 1997. In addition, I
6 will recommend a fuel factor for use during the April 1, 1998 through
7 March 31, 1999 period.

8 Q. Please explain Penny Exhibit No. 1.

9 A. Penny Exhibit No. 1 is a summary of CP&L's actual system fuel cost and
10 kilowatt-hour sales experienced during the period January 1997 through
11 December 1997. The exhibit first itemizes fossil fuel costs by type of
12 generation resource -- coal, oil, or gas -- and indicates the type of generating
13 unit which consumed the fuel. The total fossil fuel expense is shown on line 9.
14 The fossil fuel expense is added to the nuclear fuel expense shown on line 10
15 and the net purchased power expense shown on line 13 to provide the total
16 system fuel expense as shown on line 14. Line 15 is a summary of net system
17 kilowatt-hour sales associated with the incurred fuel expense. Line 16 indicates
18 the system cost of fuel per kilowatt-hour sold each month.

19 Q. How did the fuel revenue billings compare to the actual fuel costs incurred
20 during the historical period January 1997 through December 1997?

21 A. Penny Exhibit No. 2 is a monthly comparison of the revenues billed South

1 Carolina customers through the base fuel component of our approved general
2 rates to the actual fuel costs attributable to those sales. Lines 8 and 16
3 represent the cumulative recovery of our fuel expense during this 12-month
4 period. Through December 1997, the Company was \$6.3 million under
5 recovered in fuel expense as shown on line 16.

6 Q. Please explain Penny Exhibit No. 3.

7 A. Penny Exhibit No. 3 demonstrates the calculation of a base fuel component of
8 1.304¢/kWh for the 12-month period April 1998 through March 1999 consisting
9 of a component for recovery of projected fuel expense for this period and a
10 component to collect the projected under recovery at March 1998. This
11 calculation is performed in accordance with the fuel statute which requires the
12 Company to submit this information to the Commission.

13 Q. Please explain Penny Exhibit No. 4.

14 A. Penny Exhibit No. 4 is a statement of projected costs and revenues, by month,
15 for the period January 1997 through March 1999 and is based on the most
16 current fuel cost information available. The projection assumes scheduled
17 maintenance and refueling outages for certain of our nuclear generating units
18 based on the latest plan and includes forced outage rates for fossil units based
19 upon historical outage rates. The exhibit continues the use of the current base
20 fuel component of 1.122¢/kWh for the January through March 1998 period and

1 a base fuel component of 1.304¢/kWh for the period April 1998 through March
2 1999.

3 Q. What factor are you recommending to the Commission for adoption in this
4 proceeding?

5 A. In the interest of rate stability, I am asking this Commission to continue the
6 existing fuel factor of 1.122¢/kWh for the next 12-month period.

7 Q. Does that conclude your testimony?

8 A. Yes, it does.

EX1P1

CAROLINA POWER & LIGHT COMPANY

SYSTEM FUEL COST
SOUTH CAROLINA RETAIL FUEL ADJUSTMENT
SIX MONTHS ENDED JUNE, 1997

	1997 JANUARY	1997 FEBRUARY	1997 MARCH	1997 APRIL	1997 MAY	1997 JUNE
STEAM ELECTRIC (ISSUED FROM ACCT 151)						
1 COAL	\$36,325,582.43	\$31,471,358.75	\$25,122,609.62	\$29,361,246.16	\$33,075,886.92	\$36,714,712.75
2 OIL	\$653,070.25	\$478,863.43	\$398,288.04	\$217,943.24	\$407,118.34	\$278,275.78
3 NATURAL GAS	0	0	0	0	0	0
4 TOTAL STEAM ELECTRIC	\$36,978,652.68	\$31,948,222.18	\$25,520,875.66	\$29,579,189.40	\$33,483,005.26	\$36,990,988.53
I. C. TURBINES (ISSUED FROM ACCT 151)						
5 OIL	\$327,466.24	\$71,248.70	\$22,271.79	\$75,932.48	\$103,253.71	\$1,136,060.64
6 NATURAL GAS	\$4,349.75	\$270.44	\$19,343.30	\$131,603.17	\$165,089.97	\$1,092,787.35
7 PROPANE GAS	\$1,326.78	\$912.83	\$474.25	\$298.45	\$636.94	\$636.94
8 TOTAL I. C. TURBINES	\$333,142.77	\$72,432.97	\$42,089.34	\$207,834.10	\$268,980.62	\$2,229,484.93
9 TOTAL FOSSIL FUEL	\$37,311,795.45	\$32,020,655.15	\$25,562,965.00	\$29,787,023.50	\$33,751,985.88	\$39,220,473.46
10 NUCLEAR FUEL	\$9,382,723.11	\$8,508,242.59	\$9,461,581.16	\$7,124,237.11	\$7,316,434.71	\$8,610,136.12
11 PURCHASED POWER: PURCHASES	\$11,632,363.33	\$7,518,264.79	\$6,072,301.48	\$8,773,128.78	\$8,933,633.48	\$14,791,677.81
12 SALES	(\$9,860,568.58)	(\$8,199,265.82)	(\$7,470,452.25)	(\$6,327,277.35)	(\$6,229,795.58)	(\$11,811,415.50)
13 NET	\$1,771,794.75	(\$681,001.03)	(\$1,398,150.77)	\$2,445,851.43	\$2,703,837.91	\$2,980,262.31
14 TOTAL FUEL COST	\$48,466,313.31	\$39,847,896.71	\$33,626,395.38	\$39,357,112.04	\$43,772,258.50	\$50,810,871.89
15 TOTAL KWH SALES	3,928,488,500	3,858,166,300	3,212,682,700	3,284,287,500	3,226,078,200	3,564,501,300
16 COST PER KWH	\$0.01234	\$0.01033	\$0.01047	\$0.01198	\$0.01357	\$0.01425

CAROLINA POWER & LIGHT COMPANY

SYSTEM FUEL COST
SOUTH CAROLINA RETAIL FUEL ADJUSTMENT
SIX MONTHS ENDED DECEMBER, 1997

	1997 JULY	1997 AUGUST	1997 SEPTEMBER	1997 OCTOBER	1997 NOVEMBER	1997 DECEMBER
STEAM ELECTRIC (ISSUED FROM ACCT 151)						
1 COAL	\$45,594,092.89	\$42,927,058.41	\$37,384,768.01	\$37,965,870.56	\$35,546,960.69	\$38,599,971.88
2 OIL	\$227,116.68	\$263,805.17	\$189,982.42	\$146,108.62	\$282,914.66	\$609,264.25
3 NATURAL GAS	0	0	0	0	0	0
4 TOTAL STEAM ELECTRIC	\$45,821,209.37	\$43,190,863.58	\$37,554,760.43	\$38,111,979.18	\$35,839,875.35	\$39,209,236.13
I. C. TURBINES (ISSUED FROM ACCT 151)						
5 OIL	\$1,796,744.35	\$1,094,841.56	\$958,559.83	\$1,320,441.13	\$618,153.65	\$77,399.30
6 NATURAL GAS	\$1,479,724.09	\$817,377.03	\$548,071.04	\$988,281.05	\$373,929.36	\$109,893.02
7 PROPANE GAS	\$482.26	\$0.00	\$1,783.43	\$436.76	\$0.00	\$3,590.60
8 TOTAL I. C. TURBINES	\$3,276,950.70	\$1,912,218.59	\$1,508,414.40	\$2,308,168.94	\$992,083.01	\$190,882.92
9 TOTAL FOSSIL FUEL	\$49,098,160.07	\$45,103,082.17	\$39,063,174.83	\$40,421,148.12	\$36,831,958.36	\$39,400,119.05
10 NUCLEAR FUEL	\$9,120,185.42	\$9,588,086.28	\$8,023,573.76	\$7,995,125.87	\$8,731,504.68	\$10,074,587.31
11 PURCHASED POWER: PURCHASES	\$24,364,837.39	\$15,350,380.15	\$14,786,126.36	\$12,922,911.06	\$10,877,242.11	\$10,158,747.84
12 SALES	(\$15,177,022.13)	(\$11,737,610.33)	(\$12,431,570.05)	(\$15,401,575.97)	(\$12,132,846.95)	(\$11,872,869.91)
13 NET	\$9,187,815.26	\$3,612,769.82	\$2,354,556.31	(\$2,478,664.91)	(\$1,255,604.84)	(\$1,518,222.07)
14 TOTAL FUEL COST	\$67,406,160.75	\$58,284,938.25	\$49,441,304.90	\$45,937,605.08	\$44,307,858.20	\$47,958,484.29
15 TOTAL KWH SALES	4,318,898,500	4,428,657,800	4,115,902,400	3,511,274,700	3,297,408,500	4,019,210,500
16 COST PER KWH	\$0.01561	\$0.01317	\$0.01201	\$0.01308	\$0.01344	\$0.01193

EX2P1

CAROLINA POWER & LIGHT CO.

SOUTH CAROLINA RETAIL FUEL CASE

COMPARISON OF ACTUAL FUEL REVENUES AND EXPENSES
 January 1997 - December 1997

	1997 JANUARY	1997 FEBRUARY	1997 MARCH	1997 APRIL	1997 MAY	1997 JUNE
1 ACTUAL SC RETAIL SALES (KWH)	585,939,892	574,002,424	481,830,597	499,331,240	501,310,883	538,992,849
2 ACTUAL FUEL COST	0.01234	0.01033	0.01047	0.01198	0.01357	0.01425
3 FUEL BASE	0.01340	0.01340	0.01340	0.01122	0.01122	0.01122
4 REVENUE REQUIRED	6,983,698	5,929,445	5,044,766	5,981,988	6,802,789	7,680,648
5 REVENUE BILLED	7,583,595	7,691,632	6,456,530	5,602,497	5,624,708	6,047,500
6 OVER (UNDER) RECOVERY	599,897	1,762,187	1,411,764	(379,491)	(1,178,081)	(1,633,148)
7 ACCOUNTING ADJUSTMENT		5,659		(604,095)		
8 CUMULATIVE RECOVERY	\$1,390,131	\$3,157,977	\$4,569,741	\$3,586,155	\$2,408,074	\$774,926

	1997 JULY	1997 AUGUST	1997 SEPTEMBER	1997 OCTOBER	1997 NOVEMBER	1997 DECEMBER
9 ACTUAL SC RETAIL SALES (KWH)	630,780,301	645,885,902	618,000,351	545,823,694	502,119,709	594,985,899
10 ACTUAL FUEL COST	0.01561	0.01317	0.01201	0.01308	0.01344	0.01193
11 FUEL BASE	0.01122	0.01122	0.01122	0.01122	0.01122	0.01122
12 REVENUE REQUIRED	9,845,480	8,506,317	7,422,184	7,139,374	6,748,489	7,098,182
13 REVENUE BILLED	7,077,355	7,246,840	6,933,964	6,124,142	5,633,783	6,675,742
14 OVER (UNDER) RECOVERY	(2,768,125)	(1,259,477)	(488,220)	(1,015,232)	(1,114,706)	(422,440)
15 ACCOUNTING ADJUSTMENT						
16 CUMULATIVE RECOVERY	(\$1,994,199)	(\$3,253,676)	(\$3,741,896)	(\$4,757,128)	(\$5,871,834)	(\$6,294,274)

CAROLINA POWER AND LIGHT
SOUTH CAROLINA RETAIL
CALCULATION FOR BASE FUEL COMPONENT
February 1998

1. Projected Expense from April, 1998 through March, 1999

Cost of Fuel	\$576,470,000
System Sales	47,084,157 Mwhts
Average Cost Per KWH	1.224 cents

2. Projected Revenue Difference through March, 1998

Under-Recovery	(\$5,713,783)
Projected S.C. Retail Sales	7,178,113 Mwhts
Average Cost Per KWH	-0.080 cents

3. Base Fuel Cost Per KWH - Projected Period

Projected Expense	1.224 cents
Revenue Difference	0.080 cents
	<hr/>
Base Fuel Component	1.304 cents

EX4P1

CAROLINA POWER & LIGHT CO.

SOUTH CAROLINA RETAIL FUEL CASE

COMPARISON OF PROJECTED FUEL REVENUES AND EXPENSES

	1988 JANUARY	1988 FEBRUARY	1988 MARCH	1988 APRIL	1988 MAY	1988 JUNE	1988 JULY	1988 AUGUST	1988 SEPTEMBER
1 ESTIMATED SC RETAIL SALES (KWH)	568,848,508	583,940,000	574,111,000	515,118,000	528,393,000	582,127,000	672,082,000	677,518,000	672,583,000
2 ESTIMATED FUEL COST	0.01105	0.01086	0.01075	0.01027	0.01305	0.01478	0.01605	0.01380	0.01045
3 FUEL BASE	0.01122	0.01122	0.01122	0.01304	0.01304	0.01304	0.01304	0.01304	0.01304
4 REVENUE REQUIRED	6,294,618	6,450,188	6,171,693	5,280,262	6,868,429	8,603,837	10,786,918	9,417,472	7,028,492
5 REVENUE BILLED	6,391,456	6,684,007	6,441,525	6,717,139	8,864,165	7,590,936	8,763,949	8,634,809	8,770,482
6 OVER (UNDER) RECOVERY	98,840	213,819	269,832	1,426,877	(5,284)	(1,012,901)	(2,022,967)	(582,663)	1,741,990
7 CUMULATIVE RECOVERY	(\$8,187,434)	(\$5,883,615)	(\$5,713,783)	(\$4,288,908)	(\$4,292,170)	(\$5,305,071)	(\$7,328,038)	(\$7,910,701)	(\$6,188,711)

	1988 OCTOBER	1988 NOVEMBER	1988 DECEMBER	1988 JANUARY	1988 FEBRUARY	1988 MARCH
1 ESTIMATED SC RETAIL SALES (KWH)	563,830,000	548,187,000	587,748,000	638,971,000	607,956,000	587,524,000
2 ESTIMATED FUEL COST	0.01131	0.01131	0.01115	0.01259	0.01121	0.00892
3 FUEL BASE	0.01304	0.01304	0.01304	0.01304	0.01304	0.01304
4 REVENUE REQUIRED	6,378,048	6,196,789	6,553,388	8,018,465	6,815,187	5,828,239
5 REVENUE BILLED	7,353,647	7,148,088	7,684,208	8,306,102	7,927,748	7,681,313
6 OVER (UNDER) RECOVERY	975,599	948,329	1,110,840	288,637	1,112,559	1,853,075
7 CUMULATIVE RECOVERY	(\$5,193,112)	(\$4,244,783)	(\$3,133,943)	(\$2,847,306)	(\$1,734,747)	\$98,328